

MAY 28 1993

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

The Accounting and Ratemaking)
Treatment for the Allowance for)
Funds Used During Construction)
(AFUDC))

CC Docket No. 93-50

REPLY COMMENTS OF THE
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association submits these Reply Comments in response to the comments filed in this proceeding on or before May 13, 1993. In this proceeding, the Commission is examining possible accounting and ratemaking changes for the treatment of the Allowance for Funds Used During Construction ("AFUDC"). NTCA is a national association of approximately 500 small and rural local exchange carriers ("LECs") providing telecommunications services to interexchange carriers and subscribers throughout rural America.

NTCA's position in this matter, as indicated in its Comments, is to ensure that changes in the accounting rules do not create administrative burdens to account for AFUDC that is immaterial in effect from the small LECs' standpoint. Various commenting parties discuss the interplay of Generally Accepted Accounting Principles ("GAAP"), the treatment of AFUDC, and the materiality principle of GAAP.¹ It could very well be that the

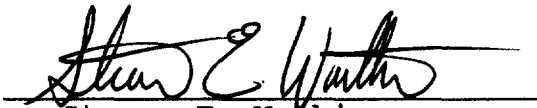
¹ See, Comments of the Florida Public Service Commission at 2-4; and Comments of Bell South at 4, both filed on May 13, 1993, (continued...)

necessary balancing of competing financial accounting principles could mean that any one of the three AFUDC treatments could be consistent with true GAAP under certain circumstances.² In many instances, the nature and timing of construction in the telephone industry may mean that the Rate Base Method and the Revenue Requirement Offset Method may actually be the same in practical application.³

Therefore, after reviewing the comments, NTCA is persuaded that the proposed new treatment does not appear necessarily superior to the current treatment of plant under construction and AFUDC. Rigid rules that do not recognize materiality considerations and other individual circumstances including the possible introduction of counter-productive administrative

approach the Commission ultimately chooses, the rules should prescribe that carriers are allowed to capitalize AFUDC but not required to if the financial reporting effect is immaterial. This provision would best accommodate the GAAP considerations and materiality and would minimize unnecessary burdens.

Respectfully submitted,
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⁴(...continued)
differences associated with the interest expense. From both a theoretical and a practical perspective, we believe that the use of the Rate Base Method is more appropriate than the Revenue Requirement Offset Method for the accounting and ratemaking treatment of plant under construction." Florida Public Service Commission at 3-4. See also, National Exchange Carrier Association at 1-2.

CERTIFICATE OF SERVICE

I, Rita H. Bolden, certify that a copy of the foregoing Reply Comments of the National Telephone Cooperative Association in CC Docket No. 93-50 was served on this 28th day of May 1993, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached list.

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